SGI CANADA

Quarterly Report
September 2014

CORPORATE PROFILE

Mission

We're your insurance company, offering protection that benefits you, your family and your community.

Vision

To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

Values

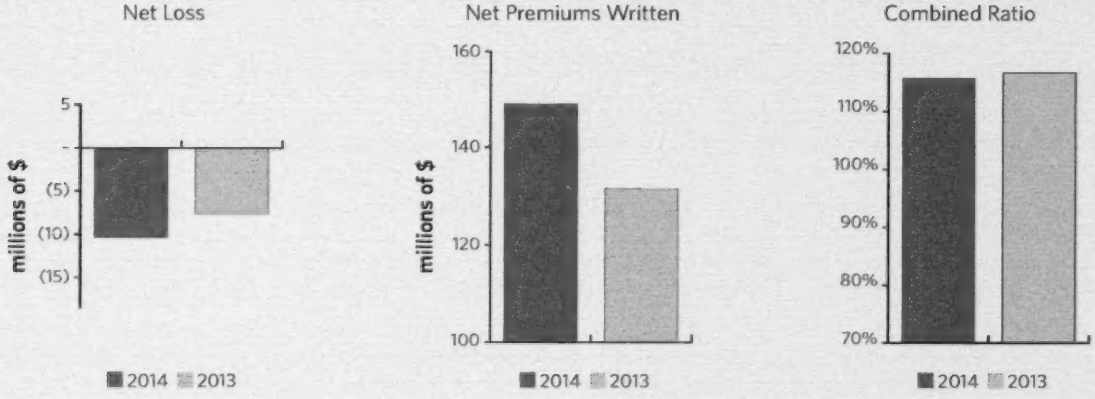
Integrity	Conducting ourselves with honesty, trust and fairness.
Caring	Acting with empathy, courtesy and respect.
Innovation	Implementing creative solutions to achieve our vision.

About SGI CANADA

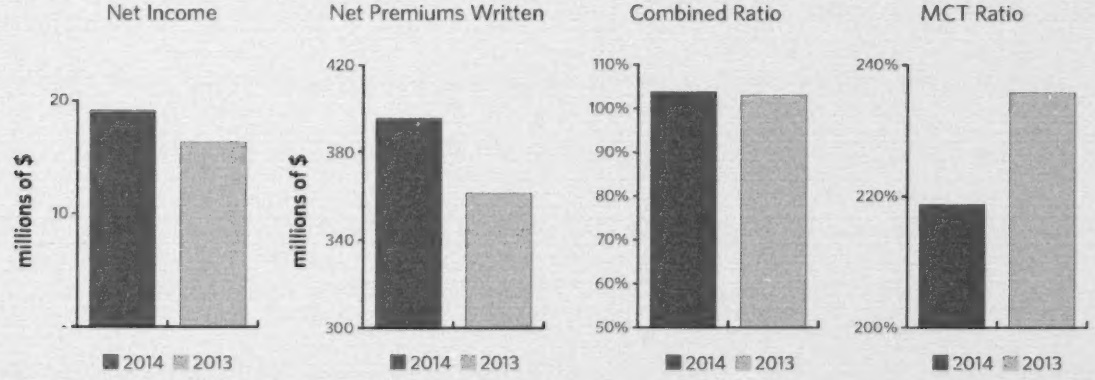
SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, and Coachman Insurance Company in Ontario. The Corporation employs about 1,900 people and its head office is located in Regina, Saskatchewan. Products are sold through a network of independent insurance brokers.

Financial Highlights

For the three months ended September 30[1]



For the nine months ended September 30[1]



[1] *Includes results from continuing operations.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SGI CANADA Insurance Services Ltd. (SCISL) and Coachman Insurance Company, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the three and nine month periods ended September 30, 2014, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2013. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to management up to November 13, 2014.

Overview

	three months ended September 30			nine months ended September 30		
(thousands of $)	2014	2013	Change	2014	2013	Change
Net premiums written	148,787	131,994	16,793	393,930	361,528	32,402
Net income (loss) from continuing operations	(10,796)	(8,333)	(2,463)	18,983	15,579	3,404
Combined ratio	116%	117%	-1%	104%	104%	0%
Minimum Capital Test				219%	237%	-18.0%

On June 30, 2014, the Corporation completed the sale of its formerly 75%-owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI), to Echelon General Insurance Company (EGI) for proceeds of $8.8 million. The financial performance and cash flows of ICPEI have been presented as a discontinued operation in the Corporation's consolidated statement of operations and consolidated statement of cash flows for all periods presented. The operating information presented in the above table, and referenced below, represents continuing operations of the Corporation for both 2014 and all comparative periods.

The Corporation continues to experience strong premium growth, largely from the Alberta and Saskatchewan markets. The largest growth market for the Corporation was Alberta, which achieved a 40% increase over 2013. Although premiums have increased, overall underwriting results declined compared to 2013, due primarily to higher overall claim costs resulting from significant storm activity in Saskatchewan.

Despite a downturn in investment markets during September, all asset classes are generating positive returns year-to-date. Equity markets produced strong returns, particularly in the U.S. and Canada, although at levels lower than the same period of 2013. Interest rates have decreased significantly year-to-date, generating capital gains which resulted in higher overall fixed income returns compared to the 2013 period.

The Corporation continues to be adequately capitalized, with a Minimum Capital Test (MCT) score of 219% at September 30, 2014.

Outlook

Despite severe weather leading to unfavourable underwriting results, strong investment earnings have left SGI CANADA well positioned going into the fourth quarter, which is generally a strong quarter from an underwriting perspective. The Corporation remains focused on underwriting fundamentals, including maintaining adequate pricing and diligent claim management, as well as providing outstanding service. The numerous storms experienced through the third quarter have resulted in a high number of claims being initiated, which the Corporation's Claims Division is focused on adjusting and working diligently with customers who have been impacted.

On June 30, 2014, the Corporation completed the sale of its 75%-owned subsidiary, ICPEI. As part of the strategy to accelerate geographic diversification, SGI CANADA plans to redirect resources to strengthen focus on growth in Ontario and Western Canada. The Corporation received a licence, through its subsidiary SCISL, to compete in B.C.'s property and casualty market during the third quarter, and expects to begin writing business in B.C. during 2015.

Ultra low interest rates have been a driver of strong investment returns year-to-date. However, interest rates are likely to normalize over the next few years, resulting in more subdued performance from fixed income investments. However, the relatively short duration of the Corporation's bond portfolio should help protect against losses on fixed income investments. The Corporation continues to maintain a well diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

Revenue

	three months ended September 30			nine months ended September 30		
(thousands of $)	2014	2013	Change	2014	2013	Change
Premiums earned	132,565	121,133	11,432	378,428	355,391	23,037
Investment earnings	7,587	14,341	(6,754)	34,245	32,753	1,492
Other income	3,500	-	3,500	3,500	-	3,500

Net premiums written by operating segment are noted below

	three months ended September 30			nine months ended September 30		
(thousands of $)	2014	2013	Change	2014	2013	Change
Saskatchewan	107,933	100,024	7,909	291,350	274,754	16,596
Alberta and Manitoba	27,226	19,385	7,841	66,852	49,967	16,885
Ontario	13,628	12,585	1,043	35,728	36,807	(1,079)
Net premiums written	148,787	131,994	16,793	393,930	361,528	32,402
Change in unearned premiums	(16,222)	(10,861)	(5,361)	(15,502)	(6,137)	(9,365)
Net premiums earned	132,565	121,133	11,432	378,428	355,391	23,037

Net premiums written in Saskatchewan increased 6.0% in the first nine months of 2014 with all lines of business contributing to the increase. Alberta operations experienced growth in premiums written of 40.3%, with automobile business and personal lines contributing the majority of the increase.

The decrease in Ontario premiums written is primarily the result of a decline in auto policies in the first six months of the year. The Government of Ontario's mandatory auto rate filing resulted in Coachman (Ontario) implementing a 12.5% decrease to auto premium rates effective July 1, 2014. Since the implementation of the rate decrease, the number of auto policies in Ontario has increased 4.3%.

Investment earnings in the third quarter were $6.8 million lower than 2013, due primarily to the equity market downturn that began in September. On a year-to-date basis, investment earnings increased $1.5 million, as the Corporation benefited from strong fixed income returns. Declining interest rates generated capital gains on fixed income investments of $6.3 million compared to capital losses of $300,000 in 2013. Although equity markets declined in September, strong returns through August resulted in capital gains on equity investments of $15.5 million year-to-date. Overall, the year-to-date market value rate of return at September 30, 2014, was 4.0% consistent with 2013. This lease agreement was agreed to during the third quarter.

Other income of $3.5 million relates to the perpetual lease of SGI CANADA's information system to EGI, which was part of the overall transaction to sell ICPEI. This lease agreement was agreed to during the third quarter.

Expenses

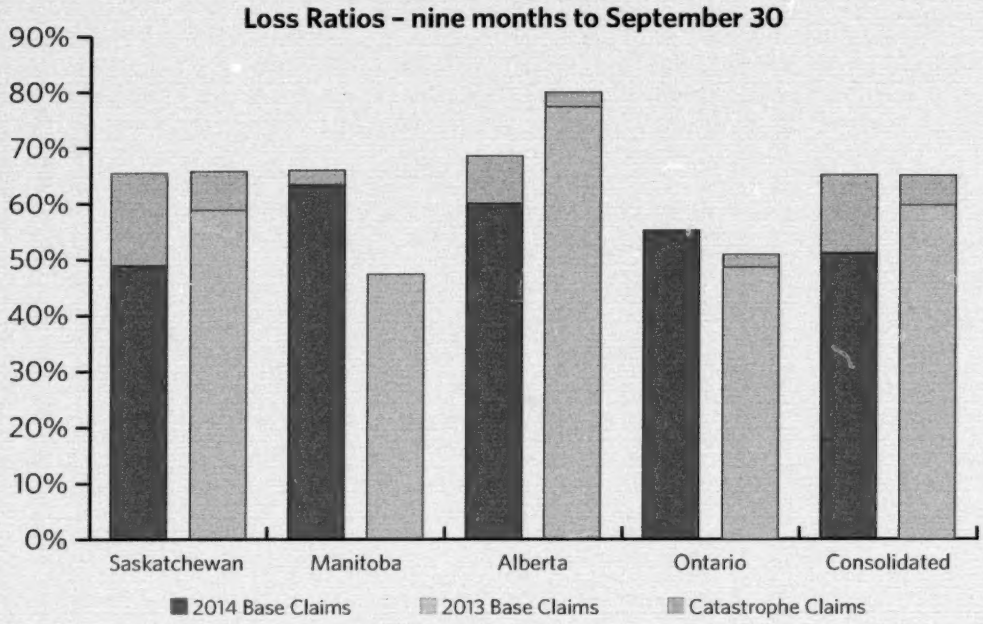
(thousands of $ – except percentages)	three months ended September 30			nine months ended September 30		
	2014	2013	Change	2014	2013	Change
Net claims incurred	102,934	94,131	8,803	245,816	231,017	14,799
Other expenses	51,147	48,076	3,071	147,646	137,086	10,560
	154,081	142,207	11,874	393,462	368,103	25,359
Loss ratio	77.6%	77.7%	-0.1%	65.0%	65.0%	0.0%

Expenses are comprised of claims incurred and other expenses, which include commissions, premium taxes, administrative expenses and the Corporation's share from participation in the Facility Association.

Claims incurred

Overall, claims incurred totalled $245.8 million for the first nine months of 2014, an increase of 6.4% from 2013. The consolidated loss ratio is consistent with 2013 at 65.0%.

The following chart summarizes loss ratios by jurisdiction for the first nine months of 2014:



Saskatchewan's loss ratio of 65.6% is consistent with last year's nine-month loss ratio of 65.8%. The first nine months of 2013 were negatively impacted by an estimated $19.6 million in ice damming claims[2], whereas these types of claims have been minimal in 2014. While there has been fewer ice damming claims, there has been an increase in the number of claims across all lines due primarily to storm activity. Storms have accounted for an estimated $46.3 million in claims ($14.3 million over the same period in 2013).

Manitoba's loss ratio increased to 66.7% from 47.4% in 2013, due to a higher number of claims across all lines, including several large personal lines losses, as well as a large loss in agro and one in commercial lines.

Alberta's loss ratio decreased to 68.8% from 80.2% in 2013, due primarily to favourable development on prior year claims, most notably in auto.

The Ontario loss ratio increased to 55.0% from 51.1% in 2013, due largely to a higher number of commercial and auto claims combined with a shrinking book of business.

2 *Ice damming occurs when snow melts above a warmed attic. Water moves down to the cooler roof edge and soffit, and freezes. Unless this water is able to drain properly, the resulting freezing can create ice dams on the roof, allowing water to damage shingles, soffit, and eventually work its way into a home.*

Other expenses

For the first nine months of 2014, other expenses increased by $10.6 million or 7.7% from 2013. The increase was due to higher commissions and premium taxes, which generally grow commensurate with premium growth. Administrative expenses increased $2.4 million due to additional expenses related to market growth strategies, systems infrastructure and salaries and benefits. The rationale for third quarter variances is consistent with the above noted explanations.

Statement of Financial Position Review

Large variances appear as a result of ICPEI being removed as a discontinued operation in the September 30, 2014, Statement of Financial Position. Significant variances are discussed below.

(thousands of $)	September 30 2014	December 31 2013	Change
Total assets	**1,161,143**	**1,120,755**	**40,388**
Key asset account changes:			
Cash and cash equivalents	18,857	42,608	(23,751)
Investments	800,245	763,916	36,329
Unpaid claims recoverable from reinsurers	55,733	35,624	20,109
Reinsurers' share of unearned premiums	19,598	13,279	6,319

The decline in cash and cash equivalents is discussed in the Cash Flow and Liquidity section that follows. The carrying value of investments increased by $36.3 million, reflecting additional purchases of long-term securities made from positive cash flows from operations and decreases in cash and cash equivalents. Unpaid claims recoverable from reinsurers increased due to losses relating to the flooding in Saskatchewan that occurred in late June. Reinsurers' share of unearned premiums are higher than at the end of 2013 as most annual reinsurance contracts are written during the first quarter of the year, and earned over the remainder of the year.

(thousands of $)	September 30 2014	December 31 2013	Change
Total liabilities	**869,754**	**822,307**	**47,447**
Key liability account changes:			
Unearned premiums	300,281	291,087	9,194
Provision for unpaid claims	461,233	420,753	40,480

Total liabilities increased $47.4 million in the first nine months of the year. The increase in unearned premiums is the result of continued growth in premiums written, primarily from Saskatchewan and Alberta. The provision for unpaid claims increased $40.5 million, due primarily to storm claims, most notably the flooding in Saskatchewan that occurred in late June.

(thousands of $)	September 30 2014	December 31 2013	Change
Total equity	**291,389**	**298,448**	**(7,059)**
Key equity account changes:			
Retained earnings	211,389	214,954	(3,565)

The decrease in retained earnings is attributable to the $18.2 million consolidated net income (excluding non-controlling interest), offset by an other comprehensive loss of $1.1 million and dividends declared of $21.0 million. Other comprehensive loss represents actuarial losses associated with the Corporation's defined benefit pension and service recognition plans, related primarily to an increase in liabilities from declining interest rates in the period.

Cash Flow and Liquidity

	nine months ended September 30		
(thousands of $)	2014	2013	Change
Operating activities	40,468	39,682	786
Investing activities	(41,733)	25,130	(66,863)
Financing activities	(21,374)	(49,460)	28,086
Net cash flow	(22,639)	15,352	(37,991)

On a year-to-date basis, positive operating cash flows and cash and cash equivalents were used to purchase additional long-term investments and fund the $21.4 million dividend payment. Also included in investing activities is the recognition of $8.8 million in proceeds from the sale of ICPEI.

Capital

	as at September 30	
	2014	2013
Minimum Capital Test	219%	237%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At September 30, 2014, the Corporation's MCT was 219% (September 30, 2013 - 237%), which is in excess of the 150% minimum regulatory target and the Corporation's internal target.

During the year, the Board of Directors approved Capital Management policies for the Corporation, and each of its subsidiaries, prepared in accordance with Guideline A-4, Regulatory Capital and Internal Capital Targets, which the Office of the Superintendent of Financial Institutions (OSFI) issued in January 2014. The policies establish internal MCT targets, in excess of 150%, which are used as minimum targets for OSFI supervisory purposes. The policies also establish operating MCT targets that provide for an operating cushion above the internal targets. The Corporation and its subsidiaries maintain MCTs in excess of their internal targets.

For further information on capital management, refer to note 8 of the notes to the consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

The following table highlights quarter-over-quarter results for SGI CANADA[3]:

	2014			2013			
(thousands of $)	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net premiums written	148,787	149,467	95,676	131,964	131,994	140,069	89,465
Net premiums earned	132,565	124,324	121,539	123,534	121,133	117,904	116,354
Net claims incurred	102,934	82,476	60,406	76,863	94,131	78,702	58,184
Net income (loss)	(10,796)	1,188	28,591	20,849	(8,333)	(6,263)	30,175
Cash flow from (used in) operations	29,524	15,101	(4,157)	31,335	35,460	9,068	(4,846)
Investments	800,245	771,383	752,809	763,916	74,171	705,625	708,109
Provision for unpaid claims	461,233	438,040	395,802	420,753	419,057	397,376	375,599
Minimum Capital Test	219%	240%	252%	231%	237%	262%	288%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2014:

- Net premiums earned generally increase on a quarter-over-quarter basis during the year.
- The first quarter generally experiences lower claims incurred compared to the rest of the year. Claims incurred can be high in the second and third quarters as a result of the summer storm season.
- With the exception of the first quarter, the Corporation generates positive cash flow from operations. Cash is typically low in the first quarter as the Corporation pays its annual premium taxes to the province in March. Operating cash flows are generally strong throughout the remaining nine months of the year and during these months, excess cash generated is directed to investments.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages in order to reduce the impact on its operations and profitability include competition, significant privacy breaches, catastrophic claim losses, scale, leadership and strategy, and product design and pricing. These risks are described in detail in the Corporation's 2013 Annual Report.

Accounting Matters

Critical accounting estimates and assumptions

There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2013 Annual Report.

Related party transactions

There have been no material changes to the Corporation's related party arrangements during the quarter, other than the sale of ICPEI. For further details on the Corporation's related party arrangements, refer to the 2013 Annual Report.

[3] *Includes results from continuing operations.*

Off balance sheet arrangements

SGI CANADA, in its normal course of operations, enters into certain transactions that are not required to be recorded on its Consolidated Statement of Financial Position, commonly referred to as the balance sheet. These items include litigation, structured settlements and a long-term telecommunications contract. There have been no new off balance sheet arrangements during the quarter. For further details on off balance sheet arrangements, refer to the 2013 Annual Report.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

Insurance Contracts

In June 2013, the International Accounting Standards Board (IASB) published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace International Financial Reporting Standards (IFRS) 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2018.

Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Consolidated Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

The standard includes introduction of a fair value through other comprehensive income measurement category for simple debt instruments. In this measurement category, the Consolidated Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Consolidated Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters. The Corporation is in the process of assessing the impact of the new standard.

Annual Improvements Cycles

In 2013, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning July 1, 2014. The Corporation is in the process of assessing the impact of the amendments.

Caution Regarding Forward-Looking Statements

Forward-looking statements include statements regarding SGI CANADA's objectives and strategies, and its ability to achieve them. Forward-looking statements are based on estimations and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are relevant in the circumstances. SGI CANADA deems that the assumptions built into the forward-looking statements are plausible; however, undue reliance should not be placed on the Corporation's forward-looking statements, which only apply as of the date of this MD&A document.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30 2014 (unaudited)	December 31 2013 (audited)
	(thousands of $)	
Assets		
Cash and cash equivalents	$ 18,857	$ 42,608
Accounts receivable	161,069	159,361
Investments under security lending program (note 5)	123,957	142,460
Investments (note 5)	676,288	621,456
Unpaid claims recoverable from reinsurers	55,733	35,624
Reinsurers' share of unearned premiums	19,598	13,279
Deferred policy acquisition costs	71,175	68,811
Property and equipment	30,358	32,835
Other assets	1,496	1,358
Deferred income tax asset	2,612	2,963
	$ 1,161,143	$ 1,120,755
Liabilities		
Accounts payable and accrued liabilities	$ 65,018	$ 63,523
Dividend payable	9,517	9,925
Premium taxes payable	17,809	21,886
Amounts due to reinsurers	10,344	9,702
Unearned reinsurance commissions	4,569	4,339
Unearned premiums	300,281	291,087
Provision for unpaid claims	461,233	420,753
Deferred income tax liability	983	1,092
	869,754	822,307
Equity		
Equity advances	80,000	80,000
Retained earnings	211,389	214,954
Province of Saskatchewan's equity	**291,389**	294,954
Non-controlling interest from discontinued operations (note 4)	-	3,494
Total Equity	**291,389**	298,448
	$ 1,161,143	$ 1,120,755

Contingencies (note 13)

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

for the periods ended September 30

	three months ended		nine months ended	
	2014 (unaudited)	(restated note 4) 2013 (unaudited)	**2014 (unaudited)**	(restated note 4) 2013 (unaudited)
	(thousands of $)			
Gross premiums written	$ 161,252	$ 143,635	$ 433,523	$ 396,593
Premiums ceded to reinsurers	(12,465)	(11,641)	(39,593)	(35,065)
Net premiums written	148,787	131,994	393,930	361,528
Change in net unearned premiums	(16,222)	(10,861)	(15,502)	(6,137)
Net premiums earned	**132,565**	121,133	**378,428**	355,391
Net claims incurred	102,934	94,131	245,816	231,017
Commissions	29,569	27,591	82,783	75,887
Administrative expenses	15,433	14,714	46,681	44,321
Premium taxes	6,139	5,712	17,838	16,718
Facility Association participation (note 11)	6	59	344	160
Total claims and expenses	**154,081**	142,207	**393,462**	368,103
Underwriting loss	**(21,516)**	(21,074)	**(15,034)**	(12,712)
Net investment earnings (note 6)	7,587	14,341	34,245	32,753
Other income (note 4)	3,500	-	3,500	-
Income (loss) before income taxes	**(10,429)**	(6,733)	**22,711**	20,041
Income tax expense	367	1,600	3,728	4,462
Net income (loss) from continuing operations	**(10,796)**	(8,333)	**18,983**	15,579
Net income (loss) from discontinued operations – net of tax (note 4)	-	1,084	(815)	1,863
Net income (loss)	**(10,796)**	(7,249)	**18,168**	17,442
Other comprehensive income (loss)	(676)	1,665	(1,111)	3,037
Comprehensive income (loss)	**$ (11,472)**	$ (5,584)	**$ 17,057**	$ 20,479
Attributable to:				
The Province of Saskatchewan	(11,472)	(5,767)	17,452	20,285
Non-controlling interest from discontinued operations	-	183	(395)	194
	$ (11,472)	$ (5,584)	**$ 17,057**	$ 20,479

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the periods ended September 30

	nine months ended	
	2014 (unaudited)	(restated note 4) 2013 (unaudited)
	(thousands of $)	
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 214,954	$ 199,521
Net income from continuing operations	19,378	15,385
Net income (loss) from discontinued operations	(815)	1,863
Other comprehensive income (loss)	(1,111)	3,037
Dividends	(21,017)	(15,667)
Balance, end of period	**$ 211,389**	$ 204,139
Total Province of Saskatchewan's equity	**$ 291,389**	$ 284,139
Non-controlling interest		
Balance, beginning of period	$ 3,494	$ 3,154
Comprehensive income (loss)	(395)	194
Sale of ICPEI	(3,099)	-
Balance, end of period	**$ -**	$ 3,348
Total Equity	**$ 291,389**	$ 287,487

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the periods ended September 30

	nine months ended	
	2014 (unaudited)	(restated note 4) 2013 (unaudited)
	(thousands of $)	
Cash provided by (used for):		
Operating activities		
Net income	$ 18,168	$ 17,442
Continuing operations		
Non-cash items:		
Bond amortization	2,555	2,111
Depreciation	4,587	3,952
Net realized gains on sale of investments	(10,392)	(17,975)
Net unrealized gains on change in market value of investments	(11,396)	(2,422)
Actuarial gain (loss) on employee benefit plans	(1,111)	3,037
Deferred income taxes	(19)	582
Change in non-cash operating items (note 9)	38,076	32,955
	40,468	39,682
Discontinued operations	(6,211)	470
	34,257	40,152
Investing activities		
Continuing operations		
Purchases of investments	(693,025)	(909,525)
Proceeds on sale of investments	644,584	938,537
Proceeds on sale of discontinued operations (note 4)	8,840	-
Purchases of property and equipment, net of proceeds from disposals	(2,132)	(3,882)
	(41,733)	25,130
Discontinued operations	7,395	(569)
	(34,338)	24,561
Financing activities		
Continuing operations		
Dividends received	51	-
Dividends paid	(21,425)	(49,460)
	(21,374)	(49,460)
Discontinued operations	(2,296)	(33)
	(23,670)	(49,493)
Increase (decrease) in cash and cash equivalents	**(23,751)**	15,220
Cash and cash equivalents, beginning of period	42,608	13,854
Cash and cash equivalents, end of period	**$ 18,857**	$ 29,074
Comprised of:		
Cash and cash equivalents from continuing operations	18,857	24,656
Cash and cash equivalents from discontinued operations	-	4,418
	$ 18,857	$ 29,074
Supplemental cash flow information:		
Interest received	$ 9,524	$ 8,960
Dividends received	$ 1,684	$ 1,933
Income taxes paid	$ 2,542	$ 4,186

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (unaudited)

September 30, 2014

1. NATURE OF OPERATIONS

Saskatchewan Government Insurance (the Corporation or SGI), which operates under the trade name of SGI CANADA is incorporated, registered and conducts a property and casualty insurance business in the province of Saskatchewan and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. SGI CANADA Insurance Services Ltd. operates directly in Alberta and Manitoba, and in Ontario through its wholly owned subsidiary Coachman Insurance Company (Coachman). The address of the Corporation's registered head office is 2260-11th Avenue, Regina, SK, Canada.

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario and represent approximately 15.1% (September 30, 2013 - 15.0%) of the Corporation's consolidated net premiums earned.

SGI was established as a branch of the Public Service by *The Government of Saskatchewan Act, 1944*, reorganized pursuant to *The Saskatchewan Government Insurance Act, 1946*, and continued under the provisions of *The Saskatchewan Government Insurance Act, 1980*. SGI also acts as administrator of the Saskatchewan Auto Fund under the provisions of *The Automobile Accident Insurance Act*. As a provincial Crown corporation, the Corporation is not subject to federal or provincial income taxes; however, SGI CANADA Insurance Services Ltd., and Coachman are subject to federal and provincial income taxes.

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the consolidated financial results of the Corporation are included in the consolidated financial statements of CIC. CIC is ultimately owned by the Government of Saskatchewan.

2. BASIS OF PREPARATION

The unaudited interim consolidated financial statements for the nine-month period ended September 30, 2014, have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*, and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These unaudited interim consolidated financial statements do not include all of the note disclosures normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended December 31, 2013. Full disclosures will be included in the consolidated annual financial statements.

Basis of measurement

The unaudited interim consolidated financial statements have been prepared using the historical cost basis, except for financial instruments and the provision for unpaid claims and unpaid claims recoverable from reinsurers. The methods used to measure the values of financial instruments are discussed further in note 3. The provision for unpaid claims and unpaid claims recoverable from reinsurers are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Statement of Financial Position classification

The Consolidated Statement of Financial Position has been prepared on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet (non-current) presented in the notes.

Functional and presentation currency

These unaudited interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Use of estimates and judgment

The preparation of the unaudited interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The unaudited interim consolidated financial statements include the accounts of the Corporation and the consolidated accounts of its 100%-owned subsidiaries, SGI CANADA Insurance Services Ltd. and Coachman. All inter-company accounts and transactions have been eliminated on consolidation. The financial accounting records of the subsidiaries are prepared for the same reporting year as the Corporation, using consistent accounting policies. The Insurance Company of Prince Edward Island (ICPEI) operations have been treated as discontinued operations for the period ended September 30, 2014, and are presented separately (note 4).

Discontinued operations

A disposal group is classified as assets held for sale when the Corporation expects the carrying amount to be recovered through a sales transaction rather than through continuing use. This condition is regarded as having been met when the disposal group is available for sale in its present condition and the sale is highly probable and expected to occur within one year from the date of reclassification. Disposal groups classified as held for sale are measured at the lower of their previous carrying amounts, prior to being reclassified, and fair value less costs to sell. Assets and liabilities directly associated with the disposal group are presented separately from assets and liabilities related to continuing operations. Discontinued operations are presented separately from continuing operations in the Consolidated Statement of Operations, Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows.

Financial assets and liabilities

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized in net income. Financial assets designated as loans and receivables are initially recognized at fair value and subsequently

measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Corporation has no financial assets and liabilities designated as available for sale or held to maturity.

The Corporation has designated its cash and cash equivalents and investments as fair value through profit and loss. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as other financial liabilities. Unpaid claims recoverable from reinsurers, amounts due to reinsurers, and the provision for unpaid claims are exempt from the above requirement.

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Income and expenses are not offset in the Consolidated Statement of Operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation. There are no financial assets and financial liabilities reported as offset in these consolidated financial statements.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All fair value measurements relate to recurring measurements. Fair value measurements for investments are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3).

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

The Corporation defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying investment and trading volumes. Assets measured at fair value and classified as Level 1 include Canadian and U.S. common shares, and pooled equity funds. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Corporation does not adjust the quoted price for such investments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include short-term investments and bonds and debentures. Fair value for short-term investments and bonds and debentures is based on or derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flows methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. Level 3 includes the pooled mortgage fund. The fair value for the pooled mortgage fund is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages, subject to adjustments for liquidity and credit risk.

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the investment's interest rate approximates current observable market rates. Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividend payable and premium taxes payable approximate their carrying values due to their short-term nature.

Investments

The Corporation records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized when the rights to receive cash flows from them have expired, or when the Corporation has transferred substantially all risks and rewards of ownership.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are reported separately on the Consolidated Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Investment earnings

The Corporation recognizes interest and premium financing as earned, dividends when declared, pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold and unrealized gains and losses based on the changes in market value of the investments held at the period end date.

Interest revenue includes amortization of any premium or discount recognized at the date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the period end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non-monetary investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current period. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current period.

Premiums written

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written and are taken into income as net premiums earned over the terms of the related policies, no longer than 12 months. The portion of the policy premiums relating to the unexpired term of each policy is recorded as an unearned premium liability on the Consolidated Statement of Financial Position.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred policy acquisition costs. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred policy acquisition costs to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, a liability is accrued for the excess deficiency.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the period end date. The estimate includes the cost of reported claims, and claims incurred but not reported, and an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation (PFAD) in accordance with Canadian Institute of Actuaries standards. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are deferred, to the extent they are recoverable, and charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months.

Reinsurance ceded

The Corporation uses various types of reinsurance to limit its maximum insurance risk exposure. Estimates of amounts recoverable from reinsurers in respect to insurance contract liabilities and their share of unearned premiums are recorded as reinsurance assets on a gross basis in the Consolidated Statement of Financial Position. Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively. Insurance ceded does not relieve the Corporation of its primary obligation to policyholders.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the Consolidated Statement of Operations.

Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized.

Employees' future benefits

The Corporation provides a defined contribution pension plan, a defined benefit pension plan and defined benefit service recognition plans that provide retirement benefits for its employees.

For the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

The Corporation's defined benefit pension plan is available to certain of its employees and it has been closed to new membership since 1980. The plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. The plan may be indexed at the discretion of the Board of Directors. The plan is pre-funded by payments from employee and employer contributions which are made to a separately administered fund and are determined by periodic actuarial calculations taking into account the recommendations of a qualified actuary.

Responsibility for governance of the plan lies with the Corporation. The Corporation has a pension committee to assist in the management of the plan and has also appointed experienced, independent professional experts such as investment managers, an actuary, and a custodian.

Plan assets consist primarily of fixed income and equity pooled funds and are carried at fair value. Plan assets are not available to creditors of the Corporation nor can they be paid directly to the Corporation.

For the defined benefit plan:

(i) Net interest on the accrued pension liability is recognized in net income.

(ii) Pension obligations are determined by an independent actuary using the projected unit credit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.

(iii) The discount rate used to determine the accrued benefit obligation and the expected return on plan assets was determined by reference to market interest rates at the measurement date of high-quality debt instruments that are denominated in the currency in which the benefits will be paid with cash flows that match the timing and amount of expected benefit payments.

(iv) Past service costs are expensed immediately.

(v) Actuarial gains and losses are recognized in OCI in the period in which they arise.

The accrued benefit asset (liability) is the fair value of plan assets out of which the obligation is to be settled directly, less the present value of the defined benefit obligation. It is restricted to the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

By design, the plan exposes the Corporation to the typical risks faced by defined benefit pension plans such as investment performance, changes to the discount rate used to value the obligation, longevity of plan members, and future price inflation. Pension risk is managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

The Corporation provides defined benefit service recognition plans for certain management and in-scope (union) employees for the purpose of providing retirement benefits. Employees in the plans are eligible for benefits at the earlier of age plus service equal to or greater than 75, or age 50. Upon retirement, employees meeting the eligibility criteria receive a lump sum payment of five days for management and three days for in-scope (union) employees for each year of continuous service less ineligible time and ineligible partial service time. A participant who dies while a member of either plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation. Effective December 31, 2011, the defined benefit service recognition plan for the unionized employees was frozen for current employees and closed to new employees. Effective December 31, 2011, the defined benefit service recognition plan for the management employees was closed to new employees, and the current employees were provided the option to elect to remain in the plan or to receive an annual payout, commencing in 2012.

The accrued benefit obligation of the service recognition plans is funded by the Corporation as eligible employees terminate employment. The cost of the plans is determined using the projected unit credit method prorated on service. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Obligations under these plans are determined annually by an independent actuary.

By design, the service recognition plans expose the Corporation to risks such as changes to the discount rate used to value the obligation, expected salary increases, and duration of employee service. These risks are managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand, less outstanding cheques.

Property and equipment

All classes of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of land, building and building components, fair value upon transition to IFRS has been used as the deemed cost.

The Corporation has not incurred any borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalized. Subsequent costs are included in the assets' carrying value when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Consolidated Statement of Operations in the period in which they have been incurred.

The depreciation method being used, the useful lives of the assets and the residual values of the assets are reviewed at each reporting date.

Depreciation is recorded in operations on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Building	40 years
Building components	15-30 years
Computer hardware and other equipment	3-5 years

Building components consists of heating and cooling systems, elevators, roofs and parking lots. Land is not subject to amortization and is carried at cost.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

Leased assets

Leases where the Corporation does not assume substantially all of the risks and reward of ownership are classified as operating leases. The payments are expensed as they are incurred.

Provisions and contingent liabilities

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Structured settlements

In the normal course of claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Consolidated Statement of Operations at the date of the purchase and the related claims liabilities are derecognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes net actuarial gains (losses) on the employee defined benefit pension plan and service recognition plans. These items of OCI are not reclassified subsequently to net income.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

IFRS 4 – Insurance Contracts

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2018.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Consolidated Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

The standard includes introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Consolidated Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Consolidated Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The Corporation is in the process of assessing the impact of the new standard.

Annual Improvements Cycles

In 2013, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning July 1, 2014. The Corporation is in the process of assessing the impact of the amendments.

4. DISCONTINUED OPERATIONS

During the first quarter of 2014, the Corporation announced that it had entered into an agreement to sell the shares of its 75%-owned subsidiary, ICPEI, to Echelon General Insurance Company (EGI) for a purchase price equal to ICPEI's book value as at the transaction closing date, June 30, 2014. Following receipt of regulatory approval, the sale closed on June 30, 2014, for total proceeds of $8,840,000 representing the book value as at June 30, 2014, resulting in no gain or loss on the sale. Other income of $3,500,000 relates to the perpetual lease of SGI CANADA's information system to EGI, which was part of the overall transaction to sell ICPEI. This lease agreement was agreed to during the third quarter.

The ICPEI operations represented a separate segment of business for the Corporation. As a result of the sale, these operations have been treated as discontinued operations and include the results of ICPEI to June 30, 2014, the transaction close date. A single amount is shown on the Consolidated Statement of Operations comprising the post-tax result of the discontinued operations. In the Consolidated Statement of Cash Flows, the cash provided (utilized) by the activities of ICPEI has been separated from that of the rest of the Corporation. The Consolidated Statement of Operations and the Consolidated Statement of Cash Flows of prior periods have been restated to conform to this presentation format.

Financial information for ICPEI operations is presented below.

a) Assets and liabilities disposed

	(thousands of $) June 30 2014
Assets	$ 6,485
Cash and cash equivalents	13,619
Accounts receivable	26,056
Investments	2,159
Unpaid claims recoverable from reinsurers	62
Reinsurers' share of unearned premiums	2,933
Deferred policy acquisition costs	18
Property and equipment	335
Deferred income tax asset	37
Other assets	**51,704**
Liabilities	
Accounts payable and accrued liabilities	4,228
Unearned reinsurance commissions	69
Unearned premiums	13,640
Provision for unpaid claims	21,962
Deferred income tax liability	34
	39,933
Net assets disposed	**$ 11,771**

b) Net income from discontinued operations

(thousands of $)

	three months ended September 30		nine months ended September 30	
	2014	2013	2014	2013
Gross premiums written	$ -	$ 6,884	$ 13,440	$ 20,030
Premiums ceded to reinsurers	-	(658)	(430)	(1,867)
Net premiums written	-	6,226	13,010	18,163
Change in net unearned premiums	-	(232)	(951)	(550)
Net premiums earned	-	5,994	**12,059**	17,613
Net claims incurred	-	3,221	10,409	10,770
Commissions	-	1,095	2,068	3,410
Administrative expenses	-	826	1,862	2,436
Premium taxes	-	244	485	713
Facility Association participation	-	(14)	46	(103)
Total claims and expenses	-	5,372	**14,870**	17,226
Underwriting income (loss)	-	622	**(2,811)**	387
Investment earnings	-	414	791	826
Income (loss) before income taxes	-	1,036	**(2,020)**	1,213
Income tax expense (recovery)	-	303	(486)	402
Income (loss) from discontinued operations	-	733	**(1,534)**	811
Administrative expenses from SGI CANADA	-	351	719	1,052
Net income (loss) from discontinued operations	$ -	$ 1,084	**$ (815)**	$ 1,863

For the nine-month period ended September 30, 2014, ICPEI's administrative expenses include $719,000 (2013 - $1,052,000) of expenses allocated from its parent, SGI CANADA. As the related expenses are expected to continue in the Corporation after completion of the sale transaction, these expenses are added back to net income(loss) from discontinued operations and shown as an expense in continuing operations.

5. INVESTMENTS

The carrying and fair values of the Corporation's investments are as follows:

	(thousands of $)	
	September 30 2014	December 31 2013
Short-term investments	$ 115,497	$ 90,737
Bonds and debentures	277,463	277,030
Canadian common shares	51,175	47,176
U.S. common shares	48,717	50,645
Pooled funds:		
Canadian equity	19,570	19,168
U.S. equity	21,160	19,509
Non-North American equity	48,898	51,113
Mortgage	93,808	66,078
	676,288	621,456
Investments under securities lending program		
Bonds and debentures	114,418	131,683
Canadian common shares	3,743	5,282
U.S. common shares	5,796	5,495
	123,957	142,460
Total investments	$ 800,245	$ 763,916

Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. When securities are loaned, the Corporation is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities, or if the collateral is liquidated, it may be for less than the value of the loan. The Corporation mitigates this risk through non-cash collateral and a guarantee provided by its custodian. Non-cash collateral of at least 102% of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At September 30, 2014, the Corporation held collateral of $130,168,000 (December 31, 2013 - $149,582,000) for the loaned securities.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

(thousands of $)

	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 115,497	$ -	$ 115,497
Bonds and debentures	-	391,881	-	391,881
Canadian common shares	54,918	-	-	54,918
U.S. common shares	54,513	-	-	54,513
Pooled funds:				
Canadian equity	19,570	-	-	19,570
U.S. equity	21,160	-	-	21,160
Non-North American equity	48,898	-	-	48,898
Mortgage	-	-	93,808	93,808
	$ 199,059	$ 507,378	$ 93,808	$ 800,245

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 90,737	$ -	$ 90,737
Bonds and debentures	-	408,713	-	408,713
Canadian common shares	52,458	-	-	52,458
U.S. common shares	56,140	-	-	56,140
Pooled funds:				
Canadian equity	19,168	-	-	19,168
U.S. equity	19,509	-	-	19,509
Non-North American equity	51,113	-	-	51,113
Mortgage	-	66,078	-	66,078
	$ 198,388	$ 565,528	$ -	$ 763,916

The Corporation's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

A reconciliation of Level 3 investments for the period ended September 30, 2014, is as follows:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	2013	2014	2013
Balance beginning of the period	$ 91,507	$ -	$ -	$ -
Add: Additions during the period				
Mortgage pooled fund	1,001	-	89,921	-
Net unrealized gains	1,300	-	3,887	-
	$ 93,808	$ -	$ 93,808	$ -

Investment in the mortgage pooled fund is valued using the Corporation's share of the net asset value of the mortgage pooled fund as at September 30, 2014.

During the three month period ended September 30, no investments were transferred between levels. During the first quarter of 2014, the Corporation transferred the mortgage pooled fund from Level 2 to Level 3 to be consistent with the investment manager's classifications.

6. NET INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	(restated note 4) 2013	2014	(restated note 4) 2013
Net unrealized gains on change in market value of investments	$ 578	$ 668	$ 11,396	$ 2,422
Net realized gains on sale of investments	2,723	9,547	10,392	17,975
Interest	2,338	2,432	6,876	7,241
Premium financing	1,488	1,379	4,308	4,047
Dividends	506	569	1,682	1,821
Pooled fund distributions	293	-	617	-
Total investment earnings	7,926	14,595	35,271	33,506
Investment expenses	(339)	(254)	(1,026)	(753)
Net investment earnings	$ 7,587	$ 14,341	$ 34,245	$ 32,753

Details of the net unrealized gains (losses) on change in market value of investments is as follows:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	(restated note 4) 2013	2014	(restated note 4) 2013
Bonds and debentures	$ (913)	$ 984	$ 397	$ (3,416)
Canadian common shares	(2,414)	(3,780)	2,775	(5,525)
U.S. common shares	2,006	(959)	886	718
Pooled funds:				
Canadian equity	(380)	685	1,717	1,790
U.S. equity	1,337	176	1,975	1,717
Non-North American equity	(358)	2,911	(241)	5,967
Mortgage	1,300	651	3,887	1,171
	$ 578	$ 668	$ 11,396	$ 2,422

7. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Corporation has established an enterprise risk management policy. The Board of Directors approved this policy, and management is responsible for ensuring it is properly maintained and implemented. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting from management.

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also result in significant financial risks, as the Corporation's Statement of Financial Position consists primarily of financial instruments. The financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Insurance risk

Underwriting risk

The Corporation manages its insurance risk through its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

Diversification

The Corporation writes property, liability and motor risks over a 12-month period. The most significant risks arise from weather-related events, such as severe summer storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written:

(thousands of $)

nine months ended September 30, 2014	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 116,517	$ 139,933	$ 34,215	$ 27,884	$ 318,549
Ontario	31,424	4,677	3,747	2,337	42,185
Alberta	34,792	15,196	4,306	4,598	58,892
Manitoba	-	7,735	3,571	2,213	13,519
Assumed from Maritimes	-	-	-	378	378
Total	$ 182,733	$ 167,541	$ 45,839	$ 37,410	$ 433,523

(thousands of $)

nine months ended September 30, 2013 (restated – note 4)	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 108,910	$ 129,592	$ 32,363	$ 26,623	$ 297,488
Ontario	33,622	5,060	2,877	2,030	43,589
Alberta	26,702	8,944	2,992	3,490	42,128
Manitoba	-	7,634	2,959	1,971	12,564
Assumed from Maritimes	100	230	135	359	824
Total	$ 169,334	$ 151,460	$ 41,326	$ 34,473	$ 396,593

The concentration of insurance risk by line of business is summarized below by reference to unpaid claims liabilities:

(thousands of $)

	Gross		Reinsurance Recoverable		Net	
	September 30 2014	December 31 2013	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Automobile	$ 200,179	$ 209,811	$ 11,812	$ 10,849	$ 188,367	$ 198,962
Personal property	147,424	101,787	31,111	10,917	116,313	90,870
Commercial property	27,880	27,229	7,526	8,818	20,354	18,411
Liability	54,174	54,720	3,330	3,441	50,844	51,279
Assumed	9,400	7,689	-	-	9,400	7,689
PFAD and discounting	16,964	13,141	1,954	1,599	15,010	11,542
Facility Association	5,212	6,376	-	-	5,212	6,376
Total	$ 461,233	$ 420,753	$ 55,733	$ 35,624	$405,500	$ 385,129

The concentration of insurance risk by region is summarized below by reference to unpaid claims liabilities:

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	September 30 2014	December 31 2013	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Saskatchewan	$ 275,861	$ 221,117	$ 38,766	$ 14,577	$ 237,095	$206,540
Ontario	120,952	122,939	12,338	13,687	108,614	109,252
Alberta	55,098	49,002	4,068	5,946	51,030	43,056
Manitoba	7,517	6,130	561	814	6,956	5,316
Maritimes	1,805	21,565	-	600	1,805	20,965
Total	$ 461,233	$ 420,753	$ 55,733	$ 35,624	$405,500	$ 385,129

Reinsurance

The Corporation also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers.

The policy of underwriting and reinsuring contracts of insurance limits the liability of the Corporation to a maximum amount on any one loss as follows:

	(thousands of $)	
	2014	2013
Dwelling and farm property	$ 800	$ 750
Unlicensed vehicles	800	750
Commercial property	1,250	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	12,500	12,500

While the Corporation utilizes reinsurance, it is still exposed to reinsurance risk. Reinsurance risk is the risk of financial loss due to inadequacies in reinsurance coverage or the default of a reinsurer. The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Actuarial risk

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the period end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the period end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

Financial risk

The nature of the Corporation's operations result in a Consolidated Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation's Board of Directors. The SIP&G provides guidelines to the investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Corporation receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers' performance is evaluated based on return objectives, including realized and unrealized capital gains and losses plus income from all sources, and goals stated in the SIP&G.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: accounts receivable (from its customers, brokers and reinsurers) and certain investments.

The maximum credit risk to which the Corporation is exposed is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $)	
	September 30 2014	December 31 2013
Cash and cash equivalents	$ 18,857	$ 42,608
Accounts receivable	161,069	159,361
Fixed income investments [1]	601,186	565,528
Unpaid claims recoverable from reinsurers	55,733	35,624

[1] Includes short-term investments, bonds and debentures, and the mortgage pooled fund

In addition, the Corporation is exposed to credit risk associated with its structured settlements as described separately in the notes to the annual consolidated financial statements.

Cash and cash equivalents include money market investments of $32,003,000 less bank overdraft, net of outstanding cheques of $13,146,000 (December 31, 2013 - money market investments of $52,105,000 less bank overdraft, net of outstanding cheques of $9,497,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial, along with amounts from brokers across the provinces that the Corporation operates in. Accounts receivable consist of balances outstanding for one year or less.

	(thousands of $)	
	September 30 2014	December 31 2013
Current	$ 160,275	$ 158,365
30-59 days	660	553
60-90 days	284	307
Greater than 90 days	6,481	5,858
Subtotal	167,700	165,083
Allowance for doubtful accounts	(6,631)	(5,722)
Total	$ 161,069	$ 159,361

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted.

Details of the allowance account are as follows:

	(thousands of $)	
	September 30 2014	December 31 2013
Allowance for doubtful accounts - opening	$ 5,722	$ 5,633
Allowance related to discontinued operations	(48)	-
Accounts written off	(1,178)	(1,698)
Current period provision	2,135	1,787
Allowance for doubtful accounts - closing	$ 6,631	$ 5,722

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Corporation of its primary obligation to the policyholder. Reinsurers are typically all required to have a minimum financial strength rating of A- at the inception of the treaty; rating agencies used are A.M.Best and Standard & Poor's. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the mortgage pooled fund. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for the bond and debenture investments are as follows:

	September 30, 2014		December 31, 2013	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio (%)	Fair Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 118,773	30.3	$ 137,268	33.6
AA	133,428	34.1	131,020	32.0
A	90,981	23.2	100,830	24.7
BBB	48,699	12.4	39,595	9.7
Total	$ 391,881	100.0	$ 408,713	100.0

Within bond and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

The unit value of the mortgage pooled fund is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its own investment policy, which include single loan limits, diversification by property type and geographic regions within Canada. Each underlying mortgage is secured by real estate and related contracts.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the mortgage pooled fund. Changes in interest rates also impact the provision for unpaid claims and unpaid claims recoverable from reinsurers. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on discounting of claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

	(thousands of $)			
	100 basis point increase		100 basis point decrease	
	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Investment earnings	$ (11,725)	$ (14,346)	$ 11,725	$ 14,346
Claims incurred	(10,284)	(9,172)	10,284	9,172
Income before income taxes	(1,441)	(5,174)	1,441	5,174

Foreign exchange risk

The investment policy defines maximum limits to exchange rate sensitive assets within the investment portfolio. The following table indicates the exposure to exchange rate sensitive assets and provides the sensitivity to a 10% appreciation/depreciation in the Canadian dollar and the corresponding decrease/increase in net income and retained earnings:

		Current Exposure (%)		10% change in exchange rates (thousands of $)	
Asset Class	Maximum Exposure (%)	September 30 2014	December 31 2013	September 30 2014	December 31 2013
U.S. equities	14.0	9.5	9.9	$ 7,567	$ 7,565
Non-North American equities	9.0	6.1	6.7	$ 4,890	$ 5,111

As U.S. common shares, the U.S. equity pooled fund and the non-North American equity pooled fund are classified as fair value through profit and loss, any unrealized changes due to foreign currency are recorded in net income. There is no exposure to foreign exchange risk within the Corporation's bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers. The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 24.9% (December 31, 2013 - 26.0%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's equity portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

	(thousands of $)	
Asset Class	September 30 2014	December 31 2013
Canadian equities	$ +/- 21,825	$ +/- 20,199
U.S. equities	+/- 21,340	+/- 21,182
Non-North American equities	+/- 13,594	+/- 15,232

The Corporation's equity investments are classified as fair value through profit and loss and as such, any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations.

No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from its investing activities.

8. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital are to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. There were no changes to the Corporation's capital structure during the period.

SGI CANADA is not a regulated insurer; however, its subsidiaries, SGI CANADA Insurance Services Ltd., and Coachman Insurance Company, are subject to rate regulation related to their automobile premiums. Although not federally regulated, SGI CANADA has chosen to follow the guidance provided by the Office of the Superintendent of Financial Institutions (OSFI) in determining and monitoring capital targets.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

During the year, the Board of Directors approved Capital Management policies for the Corporation, and each of its subsidiaries, prepared in accordance with Guideline A-4, *Regulatory Capital and Internal Capital Targets*, which OSFI issued in January 2014. The policies establish internal MCT targets, in excess of 150%, which are used as minimum targets for OSFI supervisory purposes. The policies also establish operating MCT targets that provide for an operating cushion above the internal targets. The Corporation and its subsidiaries maintain MCT's in excess of their internal targets.

9. CHANGE IN NON-CASH OPERATING ITEMS

	(thousands of $) nine months ended September 30	
	2014	(restated note 4) 2013
Accounts receivable	$ (13,055)	$ (13,614)
Unpaid claims recoverable from reinsurers	(24,556)	2,848
Reinsurers' share of unearned premiums	(6,821)	(5,039)
Deferred policy acquisition costs	(5,237)	(2,290)
Other assets	(138)	148
Accounts payable and accrued liabilities	6,039	(9,495)
Premium taxes payable	(3,864)	(4,160)
Amounts due to reinsurers	956	5,537
Unearned reinsurance commissions	384	5
Unearned premiums	22,323	11,176
Provision for unpaid claims	62,045	47,839
	$ 38,076	$ 32,955

10. EMPLOYEE SALARIES AND BENEFITS

The Corporation incurs salaries costs, retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefits costs. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it based on a cost allocation framework. These amounts have been disclosed separately in this note.

The Corporation allocates expenses incurred to the various operating functions. The Corporation includes employee salaries and benefits in the claims incurred and administrative expense line on the Consolidated Statement of Operations.

The total salary and benefits expenses incurred during the period are as follows:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	(restated note 4) 2013	2014	(restated note 4) 2013
Salaries	$ 32,177	$ 30,628	$ 92,934	$ 88,849
Defined contribution pension plan	1,793	1,720	5,333	5,072
Defined benefit pension plan	40	(118)	118	(16)
Defined benefit service recognition plans	214	211	643	635
Other benefits	2,987	3,185	12,293	11,745
Total salaries and benefits	37,211	35,626	111,321	106,285
Less: Allocation to Saskatchewan Auto Fund	(22,982)	(22,029)	(68,752)	(65,720)
Salaries and benefits incurred in SGI CANADA	$ 14,229	$ 13,597	$ 42,569	$ 40,565

Defined contribution pension plan

The Corporation has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.5% to the plan.

Defined benefit pension plan

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of December 31, 2010. The next valuation is to have a valuation date as of December 31, 2013.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

Pension expense for the defined benefit pension plan is as follows:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	2013	2014	2013
Current service cost	$ 5	$ 14	$ 15	$ 41
Interest cost	35	(132)	103	(57)
Pension expense	$ 40	$ (118)	$ 118	$ (16)

Defined benefit service recognition plans

Pension expense for the defined benefit service recognition plan is as follows:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	2013	2014	2013
Current service cost	$ 52	$ 61	$ 156	$ 181
Interest cost	162	150	487	454
Pension expense	$ 214	$ 211	$ 643	$ 635

Actuarial (gains) losses recognized in other comprehensive income (loss)

Other comprehensive income (loss) results from changes to actuarial assumptions used to calculate the liabilities of the employee benefit plans and differences in the actual return on employee benefit plan assets versus estimated returns on these assets. The discount rate is the only key assumption that changed during the period, as follows:

Discount Rate	Defined Benefit Pension Plan	Defined Benefit Service Recognition Plans
December 31, 2012	3.60%	3.20% - 3.30%
September 30, 2013	4.30%	3.80% - 3.90%
December 31, 2013	4.30%	3.80% - 4.00%
September 30, 2014	3.60%	3.10% - 3.30%

Actuarial (gains) losses recognized in other comprehensive income (loss) are as follows:

	(thousands of $)	
	2014	2013
Cumulative actuarial losses, January 1	$ 5,328	$ 8,326
Loss (gain) recognized during the period ended September 30	1,111	(3,037)
Cumulative actuarial losses, September 30	$ 6,439	$ 5,289

Key management personnel

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include the Board of Directors, President and Chief Executive Officer, and Vice Presidents of the Corporation.

Key management personnel compensation is comprised of:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	2013	2014	2013
Salaries and benefits	$ 814	$ 750	$ 3,007	$ 2,972
Post-employment benefits	10	10	30	29
Contributions to defined contribution plan	66	63	199	192
	$ 890	$ 823	$ 3,236	$ 3,193

11. FACILITY ASSOCIATION PARTICIPATION

Through its subsidiaries, the Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $)			
	three months ended September 30		nine months ended September 30	
	2014	(restated note 4) 2013	2014	(restated note 4) 2013
Gross premiums written	$ 930	$ 802	$ 3,014	$ 2,645
Net premiums earned	$ 812	$ 762	$ 2,722	$ 2,532
Net claims incurred	568	602	2,288	2,021
Commissions	10	6	52	58
Premium taxes	25	23	82	76
Administrative expenses	225	193	686	580
Total claims and expenses	828	824	3,108	2,735
Underwriting loss	(16)	(62)	(386)	(203)
Investment earnings	10	3	42	43
Net loss	$ (6)	$ (59)	$ (344)	$ (160)

12. SELECT OPERATING INFORMATION

The Corporation provides property and casualty insurance directly in Saskatchewan, and through subsidiaries operating in Manitoba and Alberta, Ontario and, prior to July 1, 2014, the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). The performance of each subsidiary is reported separately to the Corporation's Board of Directors.

The product offerings vary across the jurisdictions, but all products offered are considered property and casualty insurance.

	(thousands of $)			
three months ended September 30, 2014	Saskatchewan	Manitoba and Alberta	Ontario	Total
Net premiums written	$ 107,933	$ 27,225	$ 13,629	$ 148,787
Net premiums earned	98,777	21,313	12,475	132,565
Net claims incurred	79,502	17,152	6,280	102,934
Other expenses	39,597	7,474	4,076	51,147
Underwriting profit (loss)	(20,322)	(3,313)	2,119	(21,516)
Net investment earnings	4,991	1,173	1,423	7,587
Other revenue	3,500	-	-	3,500
Income (loss) from continuing operations before the following:	(11,831)	(2,140)	3,542	(10,429)
Income tax expense (recovery)	-	(530)	897	367
Net income (loss)	$ (11,831)	$ (1,610)	$ 2,645	$ (10,796)

	(thousands of $)				
three months ended September 30, 2013	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes (Discontinued - note 4)	Total
Net premiums written	$ 100,024	$ 19,385	$ 12,585	$ -	$ 131,994
Net premiums earned	91,420	16,436	13,277	-	121,133
Net claims incurred	73,397	13,782	6,952	-	94,131
Other expenses	38,619	5,844	3,613	-	48,076
Underwriting profit (loss)	(20,596)	(3,190)	2,712	-	(21,074)
Net investment earnings	10,233	1,605	2,503	-	14,341
Income (loss) from continuing operations before the following:	(10,363)	(1,585)	5,215	-	(6,733)
Income tax expense (recovery)	-	(207)	1,807	-	1,600
Discontinued operations (note 4)	-	-	-	1,084	1,084
Net income (loss)	$ (10,363)	$ (1,378)	$ 3,408	$ 1,084	$ (7,249)

(thousands of $)

nine months ended September 30, 2014	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes (Discontinued - note 4)	Consolidation Adjustments	Total
Net premiums written	$ 291,350	$ 66,852	$ 35,728	$ -	-	$ 393,930
Net premiums earned	282,830	58,331	37,267	-	-	378,428
Net claims incurred	185,423	39,909	20,484	-	-	245,816
Other expenses	116,103	20,069	11,474	-	-	147,646
Underwriting profit (loss)	(18,696)	(1,647)	5,309	-	-	(15,034)
Net investment earnings	23,628	4,598	6,019	-	-	34,245
Other revenue	3,500	-	-	-	-	3,500
Income from continuing operations before the following:	8,432	2,951	11,328	-	-	22,711
Income tax expense	-	745	2,983	-	-	3,728
Discontinued operations (note 4)	-	-	-	(815)	-	(815)
Net income (loss)	$ 8,432	$ 2,206	$ 8,345	$ (815)	$ -	$ 18,168
Total assets	$ 774,127	$ 215,136	$ 222,870	$ -	$ (50,990)	$ 1,161,143
Total liabilities	$ 614,143	$ 148,225	$ 158,376	$ -	$ (50,990)	$ 869,754
Shareholder's equity	$ 159,984	$ 66,911	$ 64,494	$ -	$ -	$ 291,389

(thousands of $)

nine months ended September 30, 2013	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes (Discontinued - note 4)	Consolidation Adjustments	Total
Net premiums written	$ 274,754	$ 49,967	$ 36,807	$ -	-	$ 361,528
Net premiums earned	268,643	47,104	39,644	-	-	355,391
Net claims incurred	176,741	34,031	20,245	-	-	231,017
Other expenses	109,709	16,070	11,307	-	-	137,086
Underwriting profit (loss)	(17,807)	(2,997)	8,092	-	-	(12,712)
Net investment earnings	23,360	3,538	5,855	-	-	32,753
Income from continuing operations before the following:	5,553	541	13,947	-	-	20,041
Income tax expense	-	437	4,025	-	-	4,462
Discontinued operations (note 4)	-	-	-	1,863	-	1,863
Net income (loss)	$ 5,553	$ 104	$ 9,922	$ 1,863	$ -	$ 17,442
Total assets	$ 706,456	$ 165,200	$ 225,815	$ 55,554	$ (55,073)	$ 1,097,952
Total liabilities	$ 541,172	$ 121,663	$ 162,473	$ 40,230	$ (55,073)	$ 810,465
Saskatchewan's equity	$ 165,285	$ 54,018	$ 53,341	$ 14,843	$ (3,348)	$ 284,139

13. CONTINGENCIES

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position or results of operations of the Corporation.